

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02 PA-01

PRS-01 SAJ-01 SAM-01 STR-04 NSC-05 SS-15 CEA-01 /099 W

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R 031300Z NOV 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7641

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

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EO 11652: NA

TAGS: USEGJC, EINV

SUBJECT: SALE OF LAND TO FOREIGNERS

REF: CAIRO 9685

1. REFTEL REPORTED GOE WAS CONSIDERING PASSAGE OF LAW, WITH EX POST FACTO CLAUSE, TO PROHIBIT SALE OF LAND FOR BUILDING SITES WITHIN CITIES TO ANY FOREIGN PERSONS AND/OR LEGAL ENTITIES. IT WAS EVIDENT THAT LAW WAS LARGELY INTENDED TO LIMIT ACQUISITION OF LAND BY WEALTHY ARABS WITH RESULTANT UPWARD PRESSURE ON PRICES.

2. PROPOSAL ENCOUNTERED CONSIDERABLE RESISTANCE BOTH FROM ARABS THEMSELVES AND FROM THOSE WITHIN EGYPT WHO FELT THAT MOVE WOULD INHIBIT INFLOW OF FOREIGN INVESTMENT. (PROponents OF LATTER POSITION OVERLOOK FACT THAT LAW FOCUSES ON RESIDENTIAL AND NOT INDUSTRIAL PROPERTY.) AS RESULT, GOE IS EVIDENTLY RECONSIDERING NEED FOR UTILITY OF RESTRICTIVE LAW AND WILL RESTUDY ENTIRE SUBJECT PRIOR TO SUBMISSION OF DRAFT TO PEOPLES ASSEMBLY. IT APPEARS THAT AT VERY LEAST, EX POST FACTO PROVISION

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WILL BE DROPPED, DUE TO EFFECT SUCH A MOVE MIGHT HAVE ON POTENTIAL

INVESTORS IN ALL FIELDS.

3. COMMENT. INITIAL THRUST OF PROPOSAL WAS INTENDED TO REDUCE ABILITY OF SAUDIS, KUWAITIS, ET AL TO PURCHASE LAND IN CITIES AND CONSTRUCT RESIDENTIAL AND OFFICE BUILDINGS WHICH ESSENTIALLY PRODUCED REVENUE FOR FOREIGN OWNERS ALONE. UNDER LAW 43, AGRICULTURAL LAND CAN ONLY BE LEASED, AND HOUSING PROJECTS COULD ONLY BE UNDERTAKEN BY ARAB CAPITAL. THUS ORIGINAL INTENT OF NEW DRAFT LAW WAS TO CIRCUMSCRIBE ABILITY OF WALTHY FOREIGNERS TO INVEST IN CONSTRUCTION WHICH WAS OF RELATIVELY MINOR UTILITY TO EGYPT DEVELOPMENT PLANS.

4. HOUSING PROJECTS, ESPECIALLY LOW-INCOME HOUSING, ARE STILL VERY MUCH NEEDED AND WANTED BY GOE. THIS TYPE OF PROJECT WOULD NORMALLY BE LOCATED OUTSIDE AREAS AFFECTED BY NEW LAW, BUT KUWAITIS, FOR EXAMPLE, WANTED TO BALANCE SUCH UNDERTAKINGS WITH REVENUE-PRODUCING HIGH-INCOME PROJECTS IN CITIES, AN ENTIRELY UNDERSTANDABLE DESIRE. THEY MAY STILL BE ABLE TO DO SO, IF LAW IS NOT PASSED, OR IS MODIFIED TO PROVIDE FOR TRADE-OFFS OF THIS TYPE. WE PUT CHANCES AT 60-40 EGYPTIANS WILL SEE VALUE IN BEING FLEXIBLE.

MAESTRONE

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